Calendar No. 781

100TH CONGRESS *2d Session*	SENATE	REPORT 100-412

INCOME VERIFICATION FOR CERTAIN VA NEEDS-BASED PROGRAMS

REPORT

OF THE

COMMITTEE ON VETERANS' AFFAIRS

UNITED STATES SENATE

TO ACCOMPANY

S. 2611

JULY 6, 1988.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

19-010 WASHINGTON : 1988

S763-2

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REPORT
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INCOME VERIFICATION FOR CERTAIN VA NEEDS-BASED PROGRAMS

JULY 6, 1988.—Ordered to be printed

Mr. CRANSTON, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany S. 2611]

The Committee on Veterans' Affairs reports favorably on an original bill to amend the Internal Revenue Code of 1986 to provide for the disclosure of income information to the Veterans' Administration for purposes of verifying information about their incomes provided by beneficiaries of programs under which income is relevant to eligibility; and to amend title 38, United States Code, to protect against the misuse of such information, and for other purposes and recommends that the bill do pass.

COMMITTEE BILL

The text of the original bill ordered reported and being reported is as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That

SECTION 1. DISCLOSURE OF RETURN INFORMATION.

Paragraph (7)(D) of section 6103(*l*) of the Internal Revenue Code of 1986 is amended—

(1) by striking out "and" at the end of clause (vi);

(2) by striking out the period at the end of clause (vii) and inserting in lieu thereof "; and";

(3) by adding at the end the following new clause:

"(viii)(I) any needs-based pension provided under chapter 15 of title 38, United States Code, or any other law administered by the Veterans' Administration;

"(II) parents' dependency and indemnity compensation provided under section 415 of title 38, United States Code;

"(III) health-care services furnished under sections 610(a)(1)(I) and (2)(A), 610(b), and 612(a)(2)(B) of such title; and

"(IV) compensation pursuant to a rating of total disability awarded by reason of inability to secure or follow a substantially gainful occupation as a result of a service-connected disability, or service-connected disabilities, not rated as total; except that, in such cases, only wage and self-employment information may be disclosed."; and

(4) by inserting before the period at the end of the heading "or to the Veterans' Administration".

SEC. 2. PROTECTION AGAINST IMPROPER USE OF RETURN INFORMATION.

(a) Chapter 53 of title 38, United States Code, is amended by adding at the end the following new section:

"§ 3117. Protection of benefit applicants and recipients from improper use of certain information

"(a)(1) In order to protect applicants for and recipients of the benefits and services described in paragraph (2) of this subsection from the improper use of information obtained from the Commissioner of Social Security or the Secretary of the Treasury under section 6103(*l*)(7)(D)(viii) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(*l*)(7)(D)(viii)), the Administrator may not terminate, deny, suspend, or reduce any such benefits or services of an individual until the Administrator has complied with the requirements in section 1137(c) of the Social Security Act (42 U.S.C. 1320b–7(c)), and such requirements shall be fully applicable in the case of such benefits and services.

"(2) The benefits and services described in this paragraph are—

"(A) needs-based pension benefits provided under chapter 15 of this title or any other law administered by the Veterans' Administration;

"(B) parents' dependency and indemnity compensation provided under section 415 of this title;

"(C) health-care services furnished under sections 610(a)(1)(I) and (2)(A), 610(b), and 612(a)(2)(B) of this title; and

"(D) compensation pursuant to a rating of total disability awarded by reason of inability to secure or follow a substantially gainful occupation as a result of a service-connected disability, or service-connected disabilities, not rated as total.

"(b) In the case of compensation described in subsection (a)(2)(D) of this section, the Administration may independently verify or otherwise act upon wage or self-employment data referred to in subsection (a) of this section only if the Administrator finds that the amount and duration of the earnings reported therein clearly indicate that the individual may no longer be qualified for a rating of total disability.".

(b) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 3116 the following new item:

"3117. Protection of benefits applicants and recipients from improper use of certain information.".

SEC. 3. NOTIFICATION OF INCOME VERIFICATION.

Not later than 90 days after the date of the enactment of this Act and prior to obtaining information from the Commissioner of Social Security or the Secretary of the Treasury under section 6103(*l*)(7)(D)(viii) of the Internal Revenue Code of 1986, the Administrator of Veterans' Affairs shall notify applicants for and recipients of the benefits described in subsection (a)(2)(A), (B), and (D) of section 3117 of title 38, United States Code (as added by section 1(b)), that income information furnished by such applicants and recipients may be compared with information from the Commissioner of Social Security or the Secretary of the Treasury under section 6103(*l*)(7)(D)(viii) of the Internal Revenue Code of 1986. Thereafter, the Administrator shall notify all new applicants for such benefits and for services described under subsection (a)(2)(C) of such section that income information furnished by them may be so compared and shall periodically renotify all recipients of such benefits and services.

SEC. 4. PAYMENT OF ADMINISTRATIVE COSTS.

The costs incurred by the Administrator in obtaining, verifying, and using information disclosed pursuant to the amendments made by section 1 shall be paid for out of the Veterans' Administration's compensation and pension account, and amounts collected as a result of such actions shall be paid into such account.

INTRODUCTION

This original bill (hereinafter referred to as the "Committee bill") was, on March 17, 1988, ordered favorably reported as an original bill to the Senate by the Committee on Veterans' Affairs. The Committee's action was based on a March 16, 1988 report entitled "Veterans' Pensions: Verifying Income with Tax Data Can Identify Significant Payment Problems" by the General Accounting Office (GAO/HRD–88–24). The study and report had been requested by the Ranking Minority Member (then Chairman), Senator Frank H. Murkowski, on September 10, 1985. The original bill was developed by the Chairman of the Committee, Senator Alan Cranston, and Senator Murkowski.

The Committee bill was ordered reported with the understanding that it would, by unanimous consent, be sequentially referred by the Committee on Finance. A request for such a unanimous consent referral has been forwarded to the Majority and Minority Leaders by the Chairman and Ranking Minority Members of the two Committees.

As originally ordered reported the bill was applicable only to the Veterans' Administration needs-based pension program, However, at a June 29 meeting, the Committee ordered the bill amended, as proposed by Senators Cranston and Murkowski, so as also to be applicable to the following VA programs: needs-based parents' dependency and indemnity compensation, health-care services based on certain income standards, and service-connected disability compensation benefits paid at the total-disability-rating level as the result of an individual determination of unemployability.

SUMMARY OF S. 2611 AS REPORTED

The Committee bill contains amendments to section 6103(*l*)(7) of the Internal Revenue Code of 1986 and chapter 53 of title 38, United States Code, and free-standing provisions, which would:

(1) Amend paragraph (7) of section 6103(1) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(*l*)(7)), relating to disclosures of tax return information (from the Commissioner of Social Security or the Secretary of the Treasury) to Federal, state, and local agencies administering certain programs under the Social Security Act (essentially Supplemental Security Income, Aid to Families with Dependent Children, and Medicaid), the Food Stamp Act of 1977, or the unemployment compensation program for purposes of income verification, so as to require disclosure to the VA of (a) all such information for purposes of determining eligibility for VA needs-based pension programs under chapter 15 of title 38 or any other law administered by the VA, needs-based parents' dependency and indemnity compensation provided under section 415 of title 38, and VA health-care services based on income status under sections 610(a)(1)(I) and (2)(A), 610(b), and 612(a)(2)(B) of title 38 and (b) only wage and self-employment information from such returns for purposes of determining eligibility for compensation paid, pursuant to section 4.16 of title 38, Code of Federal Regulations, at the total-disability-rating level based on an individual determination of unemployability.

(2) Allow the VA, in the case of compensation beneficiaries with total-disability ratings based on individual unemployability, to verify or otherwise act upon wage or self-employment data only if the Administrator finds that the amount and duration of the earnings reported therein clearly indicate that the individuals may no longer be qualified for a rating of total disability.

(3) Amend chapter 53 of title 38, relating to special provisions pertaining to VA benefit programs, to add a new section 3117 to prohibit the Administrator from using such tax information without first complying with the requirements of section 1137 of the Social Security Act (42 U.S.C. section 1320b–7) relating to independent verification of such data, notification to the individual concerned, and allowing the individual fair opportunity to contest agency findings based on such information.

(4) Require, within 90 days of the date of enactment and before obtaining such return information, that the VA notify benefit recipients and applicants that income reported to the VA will be subject to verification against such return information.

(5) Provide that the VA's costs of establishing and operating the program under which the return information would be obtained, used, and verified would be paid for out of the VA's compensation and pension account, and that amounts collected as a result of the program would be paid into that account.

DISCUSSION

BACKGROUND

The VA administers several "needs-based" veterans benefits, principally non-service-connected disability pension (paid to certain

war-time veterans who have attained age 65 or who have permanent and total disabilities incurred subsequent to their military service); non-service-connected survivors' pension (paid to the spouses and children of certain war-time veterans who die subsequent to their service due to causes unrelated to their service); and parents' dependency and indemnity compensation (DIC) (paid to the parents of individuals who die of any cause while on active duty or, if subsequent to service, as a result of a disease or disability which arose while the veteran was on active duty). Eligibility for these benefits and the monthly rates payable depend upon the total income of the beneficiary and his or her immediate family.

In addition, certain veterans with disabilities incurred while they were on active duty receive service-connected disability compensation at the 100-percent rate (currently $1411 per month for a veteran with no dependents) even though their disabilities are not severe enough to qualify for a 100-percent disability rating. Such compensation is paid when the VA determines that the service-connected disability or disabilities render the veteran unemployable. (The rating awarded in such a case is referred to as an "individual-unemployability" rating.)

The eligibility criteria for VA hospital, nursing home, or outpatient care include certain income criteria, and the eligibility criteria for domiciliary care include a VA determination of income and lack of adequate means of support.

In each case, eligibility determinations are made by the VA on the basis of income data which has been self-reported by the beneficiary. The only program for matching Federally-collected data against VA self-reported beneficiary data to verify the latter is with respect to Social Security payments. The VA's Inspector General has conducted one-time matches of beneficiary-reported data against other data bases. These one-time matches revealed material discrepancies between data reported by some beneficiaries and data compiled from other sources—for example, wage data of Federal and state employees or unemployment taxes paid by private employers based on wages earned.

In order to establish the extent and financial impact of such discrepancies, Senator Murkowski, on September 10, 1985, requested that the General Accounting Office (GAO) conduct a review of the accuracy of self-reported beneficiary income using certain income tax data bases maintained by the Internal Revenue Service and Social Security Administration. Because this review required access to tax-related data, the concurrence of the Joint Committee on Taxation to allow the GAO to act as the Joint Committee's agent was required and obtained. The GAO's review was based on the same data now used to verify data provided by applicants for and recipients of other needs-based programs such as Supplemental Security Income. For these benefits, access to certain third-party tax data such as wage data provided by employers on W-2 forms and interest data provided by financial institutions on 1099 forms, is authorized by section 6103(*l*)(7) of the Internal Revenue Code (26 U.S.C. 6103(*l*)(7)). Section 6103(*l*)(7) does not, however, authorize similar access to the VA for verifying the eligibility of recipients of needs-based veterans' benefits.

The GAO reviewed the records of 1.4 million 1984 VA pension recipients and found that nearly half—698,000—had income reported for them to the Internal Revenue Service and the Social Security Administration by third-party sources. Of these, 549,000 had a total of $947 million more income on tax records than was recorded on VA records. GAO's findings indicated that if discrepancies greater than $100 are considered, the potential 1984 overpayments totalled $182.5 million paid to nearly 149,000 VA beneficiaries. The GAO further found that only $25.3 million of these overpayments could have been identified by the VA using existing resources and procedures. Access to the same third-party tax data available to other agencies for purposes of eligibility determinations would have permitted identification of over $157.2 million in erroneous payments, according to the GAO. The GAO recommended that the Congress allow the VA access to return information to permit verification of self-reported beneficiary income. The VA, in its comments on the GAO report, shared the GAO's concerns regarding income verification, noting that the "VA needs the ability to verify wages, interest, and dividends."

COMMITTEE BILL

The Committee bill would, effective on the date of enactment, amend paragraph (7) of section 6103(*l*) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(*l*)) relating to disclosures, for purposes of income verification, of tax return information from the Commissioner of Social Security or the Secretary of the Treasury to Federal, state, and local agencies administering certain programs under the Social Security Act (essentially Supplemental Security Income, Aid to Families with Dependent Children, and Medicaid), the Food Stamp Act of 1977, or the unemployment compensation program, to require generally the disclosure of such information to the VA for purposes of income verification in connection with its needs-based pension programs under chapter 15 of title 38 or other laws administered by the VA (primarily section 306 of Public Law 95–588); parents' DIC under section 415 of title 38; compensation based on individual unemployability ratings under section 4.16 of title 38, Code of Federal Regulations; and health-care services furnished on the basis of income, incapacitation, or resources under sections 610(a)(1)(I) and (2)(A) (hospital care), 610(b) (domiciliary care), and 612(a)(2)(B) (outpatient care) of title 38.

The bill would also amend chapter 53 of title 38, relating to special provisions in connection with VA benefit programs by adding a new section 3117, which would prohibit the Administrator from using such tax information without first complying with the requirements of section 1137(c) of the Social Security Act (42 U.S.C. 1320b–7(c)) relating to independent verification of such data, notification to the individual concerned, and allowing the individual fair opportunity to contest agency findings based on such information.

In determining whether a veteran qualifies for individual unemployability compensation, only the veteran's ability to earn a living is relevant, and unearned income, such as dividend payments, has no bearing on this determination. Accordingly, in the cases of disclosures for purposes of verifying entitlement to compensation

based on an individual-unemployability rating, the Committee bill would limit the VA's authorization to obtain return information to earned income, i.e., wage and self-employment information.

In addition, to avoid causing needless concern to compensation beneficiaries who, although unable to obtain or maintain a substantially gainful occupation, have some earnings, the Committee bill would allow the VA to verify independently or otherwise act upon wage or self-employment data for compensation beneficiaries with individual-unemployability ratings only if the Administrator finds that the amount and duration of the earnings reported therein clearly indicate that the individual may no longer be qualified for a rating of total disability. The Committee expects the VA to evaluate data obtained as a result of the enactment of this legislation using the same standard now used to evaluate self-reported employment information. The Committee emphasizes that, by authorizing the VA to verify veterans' self-reported earnings in individual-unemployability cases, it is not suggesting that any changes should be made in the VA's eligibility criteria for these benefits, that such criteria are inappropriate, or that this program is experiencing a problem with inaccurate reporting by veterans.

The Committee is greatly concerned that the costs of administering this cost-saving program not be taken from the VA's already-overburdened VA general operating expenses account, which provides funding primarily for the Department of Veterans' Benefits' operational expenses. Accordingly, the Committee bill would generally provide in new section 3117 that the VA's costs of establishing and operating the program under which the return information would be obtained, used, and verified, would be paid for out of the VA's compensation and pension account, and that all the savings under such program would accrue into such account. By providing that collections achieved as a result of the matching of data would be credited to the compensation and pension account, an on-going augmentation of the account from which the administrative expenses could be drawn would be provided.

The bill would, in a free-standing provision, require that the VA notify benefit recipients and applicants that the income data they provide to the VA for the purpose of establishing initial or continuing eligibility for benefits would be subject to verification by means of matching against information in reports submitted by employers, financial institutions, and other third parties to the Internal Revenue Service and the Social Security Administration. The Committee bill would require that the VA provide this notice within 90 days of the date of enactment and prior to initiating verification and matching of data. Notification to beneficiaries would provide a deterrent to individuals who might otherwise be negligent about reporting their income or consider under-reporting their income and thus should result in substantial savings (CBO estimates $35 million in FY 1989) even prior to the VA's implementation of verification procedures.

Subsequently, the VA would be required to provide notice of the income-verification program to all new applicants for the benefits involved or for health-care services based on income status and periodically to renotify all recipients.

The Committee emphasizes that this legislation would neither eliminate nor reduce the entitlement of any VA beneficiary. It would merely provide the VA with a tool, previously provided to other Government agencies, to ensure that the furnishing of certain needs-based benefits and services is in accordance with statutory requirements. In addition to identifying potential overpayments, the Committee expects that the VA will use the data which this bill would make available to determine if increased payments are in order in those cases where the data indicate a beneficiary overreported his or her income.

The Committee wishes to emphasize the requirement in the Committee bill that the VA provide beneficiaries with notice of any proposed reductions in payments, the basis for the proposed reduction, and an opportunity for the beneficiary to respond to the VA's proposed action, as required by section 1137(c)(2) of the Social Security Act (42 U.S.C. 1320b-7(c)(2)). The Committee also emphasizes the requirement in section 6103(*l*)(7) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(*l*)(7)(C))—which would be applicable to the VA—that the agency receiving return information protect the confidentiality of that information.

The Committee expects the VA to consult with other agencies now using third-party return data for eligibility verification in order to gain the benefit of their experience in establishing the procedures and mechanics of a successful data-matching program.

Cost Estimate

In compliance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee, based on information supplied by the Congressional Budget Office (CBO), estimates that the costs and savings resulting from the enactment of the Committee bill (as compared to costs under current law) during the first 5 years following enactment would have a significant favorable budgetary impact, producing net savings of $35 million in both budget authority (BA) and outlays in FY 1989 and a total of $680 million in both BA and outlays through FY 1993. The cost estimate provided by CBO follows:

CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, DC 20515

June 30, 1988

Honorable Alan Cranston
Chairman
Committee on Veterans' Affairs
U.S. Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The Congressional Budget Office has prepared the attached cost estimate for the draft bill to authorize access by the Veterans Administration (VA) to income information reported to the Internal Revenue Service for use in verifying the income reported by recipients of VA need-based programs. The provisions contained in this draft were ordered reported by the Senate Committee on Veterans Affairs, June 29, 1988.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

James L. Blum
Acting Director

Attachment

cc: Honorable Frank H. Murkowski
Ranking Minority Member

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 30, 1988

1. BILL NUMBER: Draft.

2. BILL TITLE: None.

3. BILL STATUS:

As ordered reported by the Senate Committee on Veterans' Affairs, June 29, 1988.

4. BILL PURPOSE:

This bill would amend the Internal Revenue Code of 1986 to authorize access by the Veterans Administration (VA) to income information reported by employers, financial institutions, and other organizations to the Internal Revenue Service. The VA would be permitted to use this data to verify the income reported by recipients of VA need-based pension benefits, compensation unemployability benefits, need-based compensation benefits to dependent parents of deceased veterans, and VA health care. The bill would also amend title 38, U.S.C., to require the VA to independently verify conflicting data and to provide an opportunity for beneficiaries to contest the findings before benefits are eliminated or reduced. Further, in all future income questionnaires, the VA would be required to notify beneficiaries that reported income will be checked against IRS data. Finally, the bill would require that the administrative cost of implementing these provisions be paid from the funds appropriated to the Compensation and Pensions account.

5. ESTIMATED COST TO THE FEDERAL GOVERNMENT:

	(By fiscal years, in millions of dollars)				
	1989	1990	1991	1992	1993
Benefit Savings					
Budget Authority	-36	-98	-175	-236	-246
Estimated Outlays	-36	-98	-175	-236	-246
Administrative Costs					
Budget Authority	0	10	21	31	31
Estimated Outlays	0	10	21	31	31
Net Budgetary Impact					
Budget Authority	-36	-88	-154	-205	-215
Estimated Outlays	-36	-88	-154	-205	-215

The cost of this bill would fall in budget function 700.

Basis of Estimate

This estimate is based on data from two General Accounting Office reports, VETERANS' PENSIONS: Verifying Income with Tax Data Can Identify Significant Payment Problems (GAO/HRD-88-24, March, 1988), and Improving the Integrity of VA's Unemployability Compensation Program (GAO/HRD-87-62, September, 1987). The GAO estimated that approximately $160 million was overpaid in compensation and pension benefits in 1984 that could have been identified through a match of income reports from beneficiaries and reports to the IRS from employers, financial institutions, and other organizations. While a savings of this magnitude should be attainable eventually, it is expected that administrative difficulties would delay the achievement of this level of savings until 1991 at the earliest.

The estimate above assumes that the first computer match would be run on income reported for calendar year 1988. This data, as reported for VA benefit purposes, should be available in early 1989; IRS data for 1988 income should be available in October-November of 1989. Thus, the VA should be able to begin investigating and adjudicating dissimilar income reports in early 1990.

Some savings would be expected to occur in 1989 and 1990, however, as a result of more accurate reporting of income by beneficiaries, once they learn that these reports will be checked against IRS data. The estimate above assumes that 40 percent of the anticipated reduction in benefit payments would result from the voluntary discontinuance of fraudulent reporting on income questionnaires. Because these savings would occur independently of the computer match, it was assumed that they would begin early in fiscal year 1989 when beneficiaries are notified that the income they report will be checked against IRS data.

The GAO estimated that the administrative cost of identifying these overpayments would be approximately $14 million. This assumed an average administrative cost of $20.32 per case, which would cover 1.12 hours of adjudicator time. CBO expects that the average administrative cost would be about 250 percent higher than estimated by GAO for several reasons. First, the VA would be required by the bill to independently verify any reporting inconsistencies and to provide beneficiaries with the opportunity to refute their findings. This would involve considerably more adjudicator time than is provided for in the GAO estimate. Also, the GAO estimate failed to include costs for the investigation of fraud or for the collection of prior overpayments, which would further increase administrative costs.

Despite the higher estimate of average administrative cost, CBO's estimate of total administrative costs is only slightly higher than GAO's. This results from the CBO assumption that a significant portion of the reduction in overpayments would ensue from voluntary corrections in income reports, which would require no adjudication action.

6. ESTIMATED COST TO STATE AND LOCAL GOVERNMENTS:

The Congressional Budget Office has determined that the budgets of state and local governments would not be significantly affected by enactment of this bill.

7. ESTIMATE COMPARISON: None.

8. PREVIOUS CBO ESTIMATE:

On April 14, 1988, CBO transmitted a cost estimate of an earlier version of these provisions that was ordered reported by the Senate Veterans' Affairs Committee on March 17, 1988. The earlier version of the proposal only authorized the verification of income data submitted in connection with the pension program. The savings estimated for that version were, therefore, somewhat lower than the savings estimated above.

9. ESTIMATE PREPARED BY: K.W. Shepherd (226-2820).

10. ESTIMATE APPROVED BY:

for C.G. Nuckols

James L. Blum
Assistant Director
for Budget Analysis

Regulatory Impact Statement

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee has made an evaluation of the regulatory impact which would be incurred in carrying out the Committee bill. The results of that evaluation are described below.

The Committee finds that the Committee bill would not entail any significant regulation of any individuals or businesses and would not entail any significant impact on the privacy of any persons. The data involved are currently collected. Under the Committee bill, the existing statutory provisions to safeguard the confidentiality of data and privacy of individuals would apply to the data disclosed to the VA under the bill.

The Committee also finds that, except for the paperwork required in connection with the automated exchange of data between Government agencies, the Committee bill would not result in any significant new paperwork. In those circumstances, the amount of paperwork involved would be reasonable in light of the beneficial objectives of the legislation.

Tabulation of Votes Cast in Committee

In compliance with paragraph 7 of rule XXVI of the Standing Rules of the Senate, the following is a tabulation of votes cast in person or by proxy by members of the Committee on Veterans' Affairs at March 17, 1988, and June 29, 1988, meetings. The Committee voted unanimously each time to report the Committee bill, as an original bill, favorably to the Senate. The record votes of 11–0 to report the bill favorably were as follows:

YEAS (11)	NAYS (0)
Alan Cranston	
Spark Matsunaga	
Dennis DeConcini	
George J. Mitchell	
John D. Rockefeller, IV	
Bob Graham	
Frank H. Murkowski	
Alan K. Simpson	
Strom Thurmond	
Robert T. Stafford	
Arlen Specter	

CHANGES IN EXISTING LAW MADE BY S. 2166 AS REPORTED

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 26—INTERNAL REVENUE CODE

* * * * * * *

SUBTITLE F—PROCEDURE AND ADMINISTRATION

CHAPTER 61—INFORMATION AND RETURNS

* * * * * * *

SUBCHAPTER B—MISCELLANEOUS PROVISIONS

* * * * * * *

§ 6103. Confidentiality and disclosure of returns and return information

(a) * * *

* * * * * * *

(*l*) Disclosure of returns and return information for purposes other than tax administration.—

(1) * * *

* * * * * * *

(7) Disclosure of return information to Federal, State, and local agencies administering certain programs under the Social Security Act or the Food Stamp Act of [1977.—] *1977 or to the Veterans' Administration.—*

(A) Return information from Social Security Administration.—The Commissioner of Social Security shall, upon written request, disclose return information from returns with respect to net earnings from self-employment (as defined in section 1402), wages (as defined in section 3121(a) or 3401(a)), and payments of retirement income, which have been disclosed to the Social Security Administration as provided by paragraph (1) or (5) of this subsection, to any Federal, State, or local agency administering a program listed in subparagraph (D).

(B) Return information from Internal Revenue Service.—The Secretary shall, upon written request, disclose current return information from returns with respect to unearned income from the Internal Revenue Service files to any Federal, State, or local agency administering a program listed in subparagraph (D).

(C) Restriction on disclosure.—The Commissioner of Social Security and the Secretary shall disclose return information under subparagraphs (A) and (B) only for purposes of, and to the extent necessary in, determining eligibility for, or the correct amount of, benefits under a program listed in subparagraph (D).

(D) Programs to which rule applies.—The programs to which this paragraph applies are:

(i) aid to families with dependent childern provided under a State plan approved under part A of title IV of the Social Security Act;

(ii) medical assistance provided under a State plan approved under title XIX of the Social Security Act;

(iii) supplemental security income benefits provided under title XVI of the Social Security Act, and federally administered supplementary payments of the type described in section 1616(a) of such Act (including payments pursuant to an agreement entered into under section 212(a) of Public Law 93–66);

(iv) any benefits provided under a State plan approved under title I, X, XIV, or XVI of the Social Security Act (as those titles apply to Puerto Rico, Guam, and the Virgin Islands);

(v) unemployment compensation provided under a State law described in section 3304 of this title;

(vi) assistance provided under the Food Stamp Act of 1977; **[**and**]**

(vii) State-administered supplementary payments of the type described in section 1616(a) of the Social Security Act (including payments pursuant to an agreement entered into under section 212(a) of Public Law **[**93–66).**]** *93–66); and*

(viii)(I) any needs-based pension provided under chapter 15 of title 38, United States Code, or any other law administered by the Veterans' Administration;

(II) parents' dependency and indemnity compensation provided under section 415 of title 38, United States Code;

(III) health-care services furnished under sections 610(a)(1)(I) and (2)(A), 610(b), and 612(a)(2)(B) of such title; and

(IV) compensation pursuant to a rating of total disability awarded by reason of inability to secure or follow a substantially gainful occupation as a result of a service-connected disability, or service-connected disabilities, not rated as total; except that, in such cases,

only wage and self-employment information may be disclosed.

* * * * * * *

TITLES 38—UNITED STATES CODE

* * * * * * *

PART IV—GENERAL ADMINISTRATIVE PROVISIONS

* * * * * * *

CHAPTER 53—SPECIAL PROVISIONS RELATING TO BENEFITS

Sec.
3101. Nonassignability and exempt status of benefits.
3102. Waiver of recovery of claims by the United States.
3103. Certain bars to benefits.
3103A. Minimum active-duty service requirement.
3104. Prohibition against duplication of benefits.
3105. Waiver of retired pay.
3106. Renouncement of right to benefits.
3107. Apportionment of benefits.
3108. Withholding benefits of persons in territory of the enemy.
3109. Payment of certain withheld benefits.
3110. Payment of benefits for month of death.
3111. Prohibition of certain benefit payments.
3112. Annual adjustment of certain benefit rates.
3113. Limitation on payment of compensation and dependency and indemnity compensation to persons incarcerated for conviction of a felony.
3114. Indebtedness offsets.
3115. Interest and administrative cost charges on delinquent payments of certain amounts due the United States.
3116. Authority to sue to collect certain debts.
3117. Protection of benefit applicants and recipients from improper use of of certain information.

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§ 3117. Protection of benefit applicants and recipients from improper use of certain information

(a)(1) In order to protect applicants for and recipients of the benefits and services described in paragraph (2) of this subsection from the improper use of information obtained from the Commissioner of Social Security or the Secretary of the Treasury under section 6103(l)(7)(D)(viii) of the Internal Revenue Code of 1986 (26 U.S.C. 6103(l)(7)(D)(viii)), the Administrator may not terminate, deny, suspend, or reduce any such benefits or services of an individual until the Administrator has complied with the requirements in section 1137(c) of the Social Security Act (42 U.S.C. 1320b-7(c)), and such requirements shall be fully applicable in the case of such benefits and services.

(2) The benefits and services described in this paragraph are—

(A) needs-based pension benefits provided under chapter 15 of this title or any other law administered by the Veterans' Administration;

(B) parents' dependency and indemnity compensation provided under section 415 of this title;

(C) health-care services furnished under sections 610(a) (1)(I) and (2)(A), 610(b), and 612(a)(2)(B) of this title; and

(D) compensation pursuant to a rating of total disability awarded by reason of inability to secure or follow a substantially gainful occupation as a result of a service-connected disability, or service-connected disabilities, not rated as total.

(b) In the case of compensation described in subsection (a)(2)(D) of this section, the Administrator may independently verify or otherwise act upon wage or self-employment data referred to in subsection (a) of this section only if the Administrator finds that the amount and duration of the earnings reported therein clearly indicate that the individual may no longer be qualified for a rating of total disability.

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